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PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

WATER DIVISION
Water Branch

RESOLUTION NO. W-4369
January 16, 2003

R E S O L U T I O N

**(RES. W-4369) THE SEA RANCH WATER COMPANY (SRWC).
ORDER AUTHORIZING AN INCREASE IN GENERAL METERED
RATES PRODUCING AN INCREASE IN ANNUAL REVENUES OF
\$ 81,215 OR 15.6% AND ESTABLISHING AN IRRIGATION RATE
SCHEDULE PRODUCING AN INCREASE IN IRRIGATION
REVENUES OF \$ 4,559 OR 28.2% FOR TEST YEAR 2002.**

SUMMARY

By Draft Advice Letter accepted on March 7, 2002, SRWC seeks an increase in rates for water service to recover increased operating expenses and to provide an adequate rate of return on its capital investment. SRWC is owned by the Sea Ranch Association, a non-profit mutual benefit corporation, to which not all water customers are members. Because not all of the utility customers are members of the association, the utility falls under Commission jurisdiction. SRWC also filed a Draft Advice Letter on February 26, 2002, seeking to establish a separate irrigation tariff. The Water Division (Division) combined both advice letters for processing. This resolution grants a general rate increase in gross annual revenues of \$81,215 or 15.6% for Test Year 2002 and authorizes the establishment of an irrigation tariff rate schedule producing an increase in irrigation revenue of \$4,559 or 28.2%. Because the utility is owned and operated by a non-profit association, these increases will produce a zero rate of return on rate base in the test year.

BACKGROUND

SRWC is a Class C utility and serves approximately 1,600 metered customers and 1 irrigation customer approximately seven miles southeast of Gualala, Sonoma County. SRWC requested authority under Section VI of General Order 96-A and Section 454 of the Public Utilities Code to increase rates for general metered water service to produce additional revenues of \$84,908 or 17.0% in 2002.

SRWC's request shows 2002 gross revenue of \$499,964 at present rates increasing to \$584,872 at proposed rates to produce a rate of return on rate base of 1.0%. SRWC also filed a Draft Advice Letter on February 26, 2002, seeking to establish a separate irrigation tariff. Several years ago, SRWC had an irrigation tariff. At that time, the one irrigation customer thought they could use a non-potable supply of water of their own and avoid using SRWC potable water. SRWC therefore requested and was granted authority by the Commission to drop the irrigation tariff. The former irrigation customer's non-potable source was not sufficient, so SRWC requested, and the Commission granted, a contract, which has been renewed each year, for potable water to serve the irrigation customer. This situation has continued for the last several years with a new contract each year. Now, SRWC requests re-implementing the irrigation tariff, which is included in Appendix B. The irrigation revenue listed in Appendix A, at present rates, is the amount of revenue, which would have been received, had the last irrigation contract continued.

SRWC's present rates became effective on March 16, 2001, pursuant to a \$16,982 increase in revenue to recover an increase in the Consumer Price Index, pursuant to Decision No. (D) 92-03-093 effective April 30, 1992. The last general rate increase became effective on March 18, 1999, pursuant to Res. W-4140, which authorized a rate increase of \$61,300 or 15.0% for test year 2000 and a zero percent rate of return. It also established the Plant Replacement Fee tariff.

DISCUSSION

The Division made an independent analysis of SRWC's summary of earnings and issued its report in September 2002. Appendix A shows SRWC's and the Division's estimates of the summary of earnings at present, requested, and recommended rates. Appendix A also shows differences between SRWC's and the Division's estimates in operating revenues, expenses, and rate base.

Division found that there was a sharp increase in the demand component of the purchased power bill from the well site, beginning in May 2001, compared to previous years (a history of power usage and demand is shown in Appendix E). SRWC reports no change in their operation at the well site that would explain the increase, but that pump #2 is scheduled to be rebuilt in 2003 and may be to blame. SRWC should be required to submit to the Division, within one year, documentation that the power demand problem at their well site has been corrected.

SRWC was informed of the Division's differing views of operating revenues and expenses and accepted the Division's estimates as shown in Appendix A.

SRWC requested a rate of return of 1.0% for test year 2002. The Division takes the position that this would not be appropriate, since the existence of the Plant Replacement Fund, authorized by the Commission in Res. W-4140, dated March 18, 1999, is predicated upon SRWC's status as a non-profit entity. Therefore, the Division has made its recommendation based on a 0% rate of return, which yields a revenue requirement of \$622,069.

SRWC's current rate structure consists of Schedule No. 1, General Metered Service, and Schedule No. R, Plant Replacement Fees. The Division recommends that Schedule No. 2, Irrigation Service, be added. SRWC sought no change to Plant Replacement Fees and Division concurs. Division's recommendation is based on increasing the rates in the current Schedule No. 1 by 15.61% (the overall percentage increase). Division analyzed the resultant rate structure, considering the Plant Replacement Fee as if it were part of the service charge, and found that the new rates fall within the guideline of recovery of up to 65% of fixed costs through the service charge, set forth in D.92-03-093 for Class C utilities. A comparison of customer bills at present and recommended rates is in Appendix C. The adopted quantities are shown in Appendix D.

NOTICE AND PUBLIC MEETING

A notice of the proposed rate increase was mailed to each customer on March 9, 2002. The Division received one response protesting the rate increase to which the Division has responded in writing. The Consumer Affairs Division has received no complaints on SRWC since the year 2000.

A public meeting was held on Tuesday, April 23, 2002. The Commission representative explained Commission rate-setting procedures. The Utility's representatives explained the need for the rate increase. Two customers attended the meeting and inquired as to whether the rate increase would be adequate to preclude additional rate increase in the near future. The questions were answered to the customers' satisfaction.

COMPLIANCE

There are no outstanding Commission orders requiring system improvements.

The utility has been filing annual reports as required. SRWC needs to update its Rule 20 (Water Conservation), and Rule 21 (Fire Protection), Rule 5, Special Information Required on Forms, and Rule 10, Disputed Bills.

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The Division recommends that the Commission authorize a rate increase in general metered rates of \$81,215 or 15.6%. This will increase estimated annual metered revenues from \$520,129 to \$601,344 at recommended rates as shown in Appendix A. As previously explained, this increase will produce no rate of return. The Division also recommends the irrigation Tariff (Schedule No. 2 in Appendix B) be authorized, producing \$4,559 in additional revenue.

FINDINGS

1. The Division's recommended summary of earnings (Appendix A) is reasonable and should be adopted.
2. The rates proposed by the Division (Appendix B) are reasonable and should be adopted.
3. The quantities (Appendix D) used to develop the Division's recommendations are reasonable and should be adopted.
4. SRWC should be required to correct the current problem of power demand at their well site and to submit to the Division, within one year, documentation that this problem has been corrected.
5. SRWC should be ordered to update its Rule 5 (Special Information Required on Forms), Rule 10 (Disputed Bills), Rule 20 (Water Conservation), and Rule 21 (Fire Protection).
6. The rate increase proposed by the Division is justified and the resulting rates are just and reasonable.

THEREFORE IT IS ORDERED THAT:

1. Authority is granted under Public Utilities Code Section 454 for The Sea Ranch Water Company, to file an advice letter incorporating the summary of earnings and the revised schedules attached to this resolution as Appendices A and B, respectively, and concurrently cancel its presently effective rate schedule No. 1, General Metered Service. Its filing shall comply with General Order 96-A. The effective date of the revised schedule shall be five days after the date of its filing.

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2. The Sea Ranch Water Company is ordered to correct the problem of power demand at their well site and to submit to the Water Division, within one year, documentation that this problem has been corrected.
3. The Sea Ranch Water Company is ordered to update its Rule 5 (Special Information Required on Forms), Rule 10 (Disputed Bills), Rule 20 (Water Conservation), and Rule 21 (Fire Protection).
4. This resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on January 16, 2003; the following Commissioners voting favorably thereon:

WESLEY M. FRANKLIN
Executive Director

MICHAEL R. PEEVEY
President

CARL W. WOOD
LORETTA M. LYNCH
GEOFFREY F. BROWN
SUSAN P. KENNEDY
Commissioners

APPENDIX A
The Sea Ranch Water Company, Inc.

SUMMARY OF EARNINGS
Test Year 2002

<u>Item</u>	Utility Estimate		Branch Estimate		Recommended
	<u>Present</u> <u>Rates</u>	<u>Requested</u> <u>Rates</u>	<u>Present</u> <u>Rates</u>	<u>Requested</u> <u>Rates</u>	<u>Rates</u>
OPERATING REVENUES					
Metered Rates	499964	584872	520129	605037	601344
Irrigation Revenue	8356	9786	16166	20725	20725
Total	508320	594658	536295	625762	622069
OPERATING EXPENSES					
Power	60100	60100	41295	41295	41295
Other Volume Related Exp	14550	14550	5821	5821	5821
Employee Labor	186284	186284	173889	173889	173889
Materials	3050	3050	52425	52425	52425
Contract Work	0	0	7118	7118	7118
Transportation Exp.	9200	9200	11557	11557	11557
Other Plant Maintenance	44500	44500	2122	2122	2122
Office Salaries	106843	106843	82619	82619	82619
Management Salaries	15049	15049	11707	11707	11707
Employee Benefits	57439	57439	39455	39455	39455
Uncollectibles	525	525	229	229	229
Office Rental	6615	6615	5201	5201	5201
Office Supplies and Exp	0	0	19076	19076	19076
Professional Services	75725	75725	45259	45259	45259
Insurance	31937	31937	31937	31937	31937
Regulatory Comm Exp	0	0	0	0	0
General Expenses	42593	42593	11313	11313	11313
Subtotal	654410	654410	541023	541023	541023
Depreciation Expense	85342	85342	53723	53723	53723
Property Tax	8690	8690	6970	6970	6970
Payroll Tax	25853	25853	19553	19553	19553
State Income Tax	800	800	800	800	800
Federal Income Tax	0	0	0	1256	0
Total Deductions	775095	775095	622069	623325	622069
NET REVENUE:	-266775	-180437	-85775	2437	0
Rate Base	1867087	1867087	278310	278310	278310
Rate of Return	-14.29%	-9.66%	-30.82%	0.88%	0.00%

APPENDIX B
Sheet 1
The Sea Ranch Water Company, Inc.
Schedule No. 1
GENERAL METERED SERVICE

APPLICABILITY

Applicable to all metered service.

TERRITORY

The area known as The Sea Ranch, and vicinity, located approximately seven miles southeast of Gualala, Sonoma County.

RATES

Quantity Rates:	Per Meter Per Month
All Water, per 100 gal.	\$ 0.43 (I)
Service Charge:	
For 5/8 x 3/4 -inch meter.....	\$ 13.75 (I)
For 3/4-inch meter.....	20.62
For 1-inch meter.....	34.37
For 1-1/2-inch meter.....	68.73
For 2-inch meter	109.97
For 3-inch meter	206.19
For 4-inch meter	343.65 (I)

The Service Charge is a readiness-to-serve charge, which is applicable to all metered service and to which is to be added the charge for water used computed at the Quantity Rates.

SPECIAL CONDITIONS

1. Any customer prior to resuming service within twelve months after such service was discontinued will be required to pay all service charges (T) that would have been billed if service had not been discontinued.
2. All bills are subject to the Plant Replacement Fee set forth in Schedule No. R.
3. All bills are subject to the reimbursement fee set forth in Schedule No. UF.

APPENDIX B
Sheet 2
The Sea Ranch Water Company, Inc.

Schedule No. 2
IRRIGATION SERVICE

APPLICABILITY

Applicable to all irrigation service.

TERRITORY

The area known as The Sea Ranch, and vicinity, located approximately seven miles southeast of Gualala, Sonoma County.

RATES

Quantity Rate:

For each 100 gallons.....	\$ 0.25	(N)
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SPECIAL CONDITIONS

1. Irrigation service is interruptible at the discretion of the utility.
2. The customer shall bear all costs for the irrigation service and meter installation, including backflow prevention devices if required. The service and equipment shall become the property of the utility upon commencement of deliveries.
3. Any customer prior to resuming service within twelve months after such service was discontinued will be required to pay all minimum charges, which would have been billed if service had not been discontinued.
4. The established billing cycle is bimonthly.
5. All bills are subject to the reimbursement fee set forth in Schedule No. UF and Plant Replacement Fee set forth in Schedule R.

APPENDIX C

The Sea Ranch Water Company, Inc.

COMPARISON OF RATES

A comparison of the present rates and the Branch's recommended rates is shown below.

	Present Service <u>Charge</u>	Replacement <u>Fee</u>	Recommended <u>Service Charge</u>
For 5/8 x 3/4-inch meter	\$11.89	\$6.70	\$13.75
For 3/4-inch meter	17.84	10.05	20.62
For 1-inch meter	29.73	16.75	34.37
For 1-1/2-inch meter	59.46	33.50	68.73
For 2-inch meter	93.06	53.60	109.97
For 3-inch meter	178.37	100.50	206.19
For 4-inch meter	297.28	167.50	343.65

Quantity Rates

	Present <u>Rates</u>	Recommended <u>Rates</u>
All water, per 100 gallons	\$0.37	\$0.43

The water bill for a customer with a 5/8 x 3/4-inch meter under present and proposed rates, with various amounts of water used per month is shown below.

Water Used, 100: <u>Gallons</u>	Amount of Bill		Amount of <u>Increase</u>	Percent <u>Increase</u>
	Present <u>Rates</u>	Recommended <u>Rates</u>		
0	\$18.59	\$20.45	\$1.86	10.0%
30	\$29.69	\$33.35	\$3.66	12.3%
Avg: 38	\$32.65	\$36.79	\$4.14	12.7%
60	\$40.79	\$46.25	\$5.46	13.4%
90	\$51.89	\$59.15	\$7.26	14.0%
120	\$62.99	\$72.05	\$9.06	14.4%

APPENDIX D
Sea Ranch Water Company, Inc.

ADOPTED QUANTITIES
Test Year 2002

**Purchased
Power:**

Total Usage kWh/MG Produced	2305.714
Sch A-1 Usage Percentage	0.0155%
Sch A-1P Usage Percentage	14.8952%
Sch A-10 Usage Percentage	85.0893%
Winter Demand kW	70
Summer Demand kW	99
Effective Date of all Schedules 3/4/02	
Composite Expense \$/kWh	0.1639

Purchased Water: None

Average Water Sales Per Connection: 460.20 x 100 gallons per year or 38.35 x
100 gallons per month

Number of Connections:

5/8 x 3/4 -inch meter	1605
3/4-inch meter	5
1-inch meter	11
1 1/2-inch meter	7
2-inch meter	3
3-inch meter	0
4-inch meter	<u>0</u>
	1631

DHS Inspection Fees and Lab Fees included in Contract Work: \$7,118

APPENDIX E

Sea Ranch Water Company, Inc.

HISTORY OF POWER USAGE AND DEMAND AT WELL SITE

Month	1999		2000		2001	
	Usage	Demand	Usage	Demand	Usage	Demand
	<u>kWh</u>	<u>kW</u>	<u>kWh</u>	<u>kW</u>	<u>kWh</u>	<u>kW</u>
Jan	14080	60	19480	92	2400	60
Feb	11040	104	48880	108	47560	108
Mar	10280	60	18600	74	51560	108
Apr	53920	108	21400	60	14280	0
May	12200	60	23480	60	15760	180
Jun	13640	80	27600	60	23680	256
Jul	15680	108	32240	60	27960	306
Aug	2880	56	38440	108	160	306
Sep	400	4	280	60	40	48
Oct	400	4	200	28	0	0
Nov	480	48	320	28	2360	48
Dec	15720	64				
Totals	150720		230920		185760	
Average	12560	63	20993	67	16887	129